

Regulatory Initiatives Grid – Update from the co-chairs

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As co-chairs of the Regulatory Initiatives Forum, we can now provide a short update following Royal Assent of the Financial Services and Markets Act 2023 (FSMA 2023 or the Act). Given the Act's significance for the financial services regulatory landscape, we will cover the most significant updates and developments since our February 2023 Grid.

A full update of the Grid is planned for the last quarter of 2023, where we will update on all changes for all initiatives as usual. Following this, we expect to return to the usual intervals of publishing the biannual updates to the Regulatory Initiatives Grid.

Royal Assent of FSMA 2023

Royal Assent of FSMA 2023 is a significant milestone in the landscape of financial services regulation and also brings about changes to how some members of the Forum operate. The FCA, PRA, BoE and PSR are already taking steps to operationalise changes to reflect new obligations and accountability mechanisms introduced by the Act.

The Act introduces new secondary objectives for the FCA and PRA to facilitate international competitiveness and economic growth, broadening our responsibilities as regulators, and allowing us to better tailor rules to the needs of the UK. The PRA intends to publish a consultation paper, building on the September 2022 Approach to Policy discussion paper, ensuring it delivers on its responsibilities under the Act. The FCA and PRA are also establishing new cost benefit analysis (CBA) panels, where recruitment has now started. Furthermore, the FCA and PRA are both consulting on their approaches to rule review until September. Some of these changes may not feature explicitly on the Grid but they will be an important part of our processes and decision-making for regulation in the future.

Alongside these structural reforms, the Act will further ensure consistently high regulatory standards, helping to build a competitive, sustainable financial services sector, which will deliver better outcomes for all – consumers,

markets and firms alike. For example, measures to improve prevention of authorised push payment fraud, create a financial promotions gateway and introduce wholesale and retail access to cash requirements will enable us to tackle harm to consumers. The new statutory duty requiring the FCA, FOS and FSCS to co-operate on issues with wider implications will enhance regulatory cooperation between these bodies, the introduction of the financial market infrastructure (FMI) sandbox will support innovation, and changes to the insurer insolvency regime will support market stability.

Many of these regulatory initiatives were already reflected in the February 2023 Grid and have continued to progress as anticipated. For example, the PSR have now published a policy statement on tackling Authorised Push Payment Scams. The FCA has launched its market study for our work on Wholesale Data. We also note that plans to consult on FCA rules on Access to Cash have been pushed back slightly from the Summer to the Autumn, as the Act passed later than initially expected, while the BoE will also publish a further consultation on aspects of the wholesale Access to Cash regime in the Autumn.

Reforming the regulatory framework

FSMA 2023 provides a framework to repeal retained EU law (REUL) relating to financial services, and where appropriate to replace it with new legislation or regulator rules to build a regulatory framework which is tailored to the UK. Most firm facing requirements in REUL are expected to be replaced with rules set by the relevant regulators, operating within a framework established by government and Parliament.

Relevant Forum members are already working on a number of files such as Solvency II, the Prospectus Regulation and the Securitisation Regulation. These were already reflected in the most recent February 2023 Grid publication, and we are looking forward to sharing further progress and information in the Grid planned for Q4 2023.

The Forum previously noted stakeholder feedback that it would be helpful for the regulatory framework reforms, particularly on the government's programme of repealing and replacing retained EU law relating to financial services, to be included in one publication alongside the wider regulatory initiatives. The government recently published a delivery plan, 'Building a Smarter Financial Services Regulatory Framework for the UK', which included reference to using this platform to provide relevant updates once publicly announced. We are considering how best to reflect these in the next Grid to give a comprehensive picture of significant upcoming regulatory changes, including those which are planned but where we have yet to begin work.

Other significant developments outside of the Act

There have been other developments and updates beyond the Act since the publication of the last Grid in February 2023. These will be reflected in full in the next Q4 Grid. For example, joint with the Treasury, the FCA has committed to undertaking a holistic review of the boundary between advice and guidance. The BoE launched its System-Wide Exploratory Scenario exercise in June, which will investigate the behaviours of banks and non-bank financial institutions in stress, and how these can amplify shocks in markets and potentially bring about risks to UK financial stability. The BoE is working closely with the FCA and TPR on this.

The Treasury has published the updated Green Finance Strategy 2023 in March, with the aim of ensuring the UK market is well positioned to support the transition to net zero. Following the FCA's Sustainability Disclosure Requirements and investment labels consultation and the range of comments, we have decided to publish the Policy Statement in Q4 2023, having been previously planned for Q3 2023. These policy changes will help the UK's asset management sector thrive by setting standards that improve the sustainability information consumers have access to. In April, the FCA announced the required continued publication of 1-, 3- and 6-month synthetic US

dollar LIBOR after 30 June 2023, when the US dollar LIBOR panel ceased. And in June the FCA rapidly published final rules to support the implementation of the Government's Mortgage Charter.

Next steps

We are continuing our work to deliver our responsibilities under the Act alongside the other important initiatives we are undertaking. Forum members affected by the measures in the Act recognise the need to deliver this work transparently, and we are working closely together to give all stakeholders as much clarity on these measures as we can, consulting widely in the process.

Many of the initiatives on the Grid will ultimately lower the regulatory burden on firms in the future, or benefit consumers through promoting competition and choice. Initiatives reflect the changing world around us, for example, the use of technology in financial services. Many changes will ultimately simplify the regulatory model, reduce burdens on firms and protect consumers. Our aim remains finding the right balance between managing the impact of our work on firms while delivering for users of financial services in line with our various regulatory objectives.

Overall, the Act represents a significant and positive step. The Grid will be an important platform for keeping stakeholders updated on the delivery of FSMA 2023, as well as on the wider pipeline of initiatives as we have done in the last six editions of the Grid.

We look forward to sharing more on progress, new developments and further clarity on existing measures in the next Grid later this year.